



STATE OF WASHINGTON  
DEPARTMENT OF COMMUNITY,  
TRADE AND ECONOMIC DEVELOPMENT

# Washington State Draft 2006 ACTION PLAN

September 2005

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## Table of Contents

Title Page .....	i
Table of Contents.....	ii
<b>Part I. Overview.....</b>	<b>I-1</b>
Anticipated Resources .....	I-2
Leveraging Match.....	I-5
Geographic Distribution .....	I-5
General Guidelines .....	I-9
Reallocated Funds.....	I-9
Recaptured Funds .....	I-9
Program Income.....	I-9
Summary of Changes .....	I-9
Performance Measures .....	I-11
<b>Part II. Program Action Plans .....</b>	<b>II-1</b>
HOME .....	II-1
ESGP .....	II-13
HOPWA .....	II-15
CDBG .....	II-17
<b>Part III. Monitoring Standards .....</b>	<b>III-1</b>
<b>Part IV. Citizen Participation Plan.....</b>	<b>IV-1</b>
Activities for 2006 Action Plan .....	IV-1
Requirements for State.....	IV-2
Requirements for Local Jurisdictions .....	IV-5
<b>Appendix .....</b>	<b>A-1</b>
<b>Certifications and Applications for Federal Assistance     (Form 424).....</b>	

# **PART I – OVERVIEW**

## OVERVIEW

The Washington State Action Plan describes how the Department of Community, Trade and Economic Development (CTED) will distribute the funds received from the U.S. Department of Housing and Urban Development (HUD). On an annual basis, the Action Plan formally amends the state's 2005 – 2009 Consolidated Plan for Housing and Community Development. Upon approval by HUD, CTED receives funding distributed by formula under the state Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG), HOME Investment Partnerships (HOME), and Housing Opportunities for Persons With Aids (HOPWA) programs.

The Action Plan explains any proposed programmatic or operational changes for 2006, provides guidelines on how HUD resources will be distributed and used, and provides information on how CTED will address the individual requirements of the CDBG, ESG, HOME and HOPWA programs.

At this printing, the appropriations process for these programs has not been completed. All amounts listed for distribution in this document therefore are based upon estimates of what may be available after Congress acts.

### CTED Organization

The four HUD formula programs are administered within three divisions of CTED, as follows:

CTED Director		
Housing Division	Local Government Division	Economic Development Division
ESG HOME HOPWA	CDBG	CDBG-Supported Loan Funds

Under the authority of CTED's Director, the divisions coordinate the administration and annual reporting of these HUD funds for the state.

### Requesting a Copy of the Action Plan

The 2006 Action Plan is available on CTED's website at [www.cted.wa.gov/cdbg](http://www.cted.wa.gov/cdbg). Printed copies of the 2006 Action Plan are available by contacting Sarah Sweeney at (360) 725-3020 or by email at [sarahs@cted.wa.gov](mailto:sarahs@cted.wa.gov). This publication is available in alternative format upon request.

### Opportunity to Comment

A public hearing was held at 10:30 a.m. on August 22, 2005 in Olympia, Washington. The formal review and comment period for the draft 2006 Action Plan began on September 7, 2005, and ends at 5 p.m. on October 7, 2005. Written comments will be accepted through October 7, 2005 by Kristen Carmichael by email at [kristenc@cted.wa.gov](mailto:kristenc@cted.wa.gov) or mail at:

Community Development Programs  
Community, Trade and Economic Development  
906 Columbia Street Southwest  
Post Office Box 42525  
Olympia, WA 98504-2525

Comments received during the comment period will be summarized in the Citizen Participation section of the final version of the Action Plan.

### HUD Approval

The Action Plan will be submitted to HUD as required by November 15, 2005. HUD has until the beginning of the program year on January 1, 2006, to comment on the Action Plan. Once the Action Plan is approved by HUD, an official version will be available on the CTED website at [www.cted.wa.gov/cdbg](http://www.cted.wa.gov/cdbg) or upon request.

### ANTICIPATED RESOURCES

The Department of Community, Trade and Economic Development (CTED) receives a variety of federal and state resources to meet the state's housing and community development priorities. Many resources are linked together to secure maximum benefit to clients, such as weatherization and home repair. Federal and state resources are leveraged with non-public funds to maximize cost efficiency and to stretch the public dollar.

The following table highlights the HUD funds and major federal and state housing resources that CTED anticipates receiving in 2006, including program income. The programs are in general categories for purposes of this table. Many of the programs offer a variety of services that cross categories. Not all of CTED's housing programs are detailed here (i.e. technical assistance). The emphasis is on major programs that directly increase or maintain the supply of affordable housing in the state and CDBG funds.

**Table I-1: Anticipated State and Federal Resources by Program**

	Federal Funds <u>1/</u>	State Funds <u>2/</u>
Affordable Housing		
The Housing Trust Fund (HTF) will dedicate funds for a variety of low-income housing activities including weatherization, repair and rehabilitation. The HTF will also target resources to farmworkers, homeless families with children, people with developmental disabilities and survivors of domestic violence.		\$100,000,000
The HOME Program funds will be used for 2006 priority strategies and initiatives.	\$11,000,000	
American Dream Downpayment Initiative (ADDI), a component of the HOME program, will be used for downpayment assistance to eligible first time homebuyers.	\$295,000	
Housing Opportunities for People With AIDS (HOPWA) will provide a variety services including short and long-term rental assistance and operating subsidies to keep rents affordable.	\$619,000	
Homeless Services		
State and federally funded programs will provide shelter and services for people who are homeless and use resources to prevent homelessness.	\$1,582,421	\$12,534,638
Supportive Housing		
CTED will compete for federal McKinney funds on behalf of 25 counties in the Balance of State to support a Continuum of Care homeless services system.	\$1,200,000	\$17,527,452
The State appropriated funds for services for homeless families in transitional housing.		
Repayments		
HOME loan repayments – same uses as HOME program funds.	\$703,400	
Housing Trust Fund loan repayments- same uses as HTF program.		\$9,006,500
<u>1/</u> Annual – FFY 2006 estimates. <u>2/</u> Bi-Annual: July 2005-June 2007		

**Table I-1: Anticipated State and Federal Resources by Program (Continued)**

<b>ANTICIPATED STATE AND FEDERAL RESOURCES BY PROGRAM (cont.)</b>		
	<b>Federal Funds <u>1/</u></b>	<b>State Funds <u>2/</u></b>
<b>Community Development Block Grant</b>		
The CDBG Community Investment Fund provides eligible communities the opportunity to access technical and financial assistance throughout the year for locally-prioritized strategic community and economic development projects that benefit low- and moderate-income persons or address slum/blight.	\$3,700,000	
CDBG General Purpose Grants, with an annual competitive funding cycle and maximum grants of up to \$1,000,000 per application, funds local housing, public facilities, community facilities, or economic development/microenterprise projects principally benefiting low- and moderate-income persons.	\$7,000,000	
CDBG Housing Enhancement Grants are flexible companion funds to support priority applications submitted to the Washington State Housing Finance Unit.	\$800,000	
The CDBG Housing Rehabilitation Grant Program provides maximum grants of up to \$500,000/year to local housing rehabilitation activities in coordination with other CTED housing rehabilitation programs.	\$1,100,000	
CDBG Imminent Threat Grants address unique emergencies posing a serious and immediate threat to public health and safety on a fund availability basis.	\$166,000	
CDBG Planning-Only Grants fund planning projects that principally benefit low- and moderate-income persons with grants of up to \$35,000 for a single-jurisdiction and \$50,000 for multi-jurisdiction applicants on a funds available basis.	\$500,000	
CDBG Public Services Grants are made available through counties to 15 community action agencies serving non-entitlement areas for activities serving low- and moderate-income persons. Funding is provided by formula and administration is coordinated with the state Community Services Block Grant Program.	\$1,766,000	
The Section 108 Loan Guarantee Program pledge future CDBG resources to secure loan guarantees for eligible community and economic development activities.	\$17,000,000	
The Rural Washington Loan Fund provides gap financing to small businesses, primarily in economically distressed and timber-impacted areas of the state to create or retain jobs for low- and moderate-income persons.	\$7,200,000	
CDBG Float-Funded Activities are fully secured loans made in support of CDBG eligible community and economic development projects. The capital that is made available for Float-Funded Activities comes from unexpended CDBG awards to local governments.	\$18,000,000	

### LEVERAGING MATCH

CTED will evaluate and analyze each proposal for HOME funds to ensure that a minimum federal subsidy is being used to develop each project and that federal funds will effectively leverage additional resources. Each proposal will be required to describe sources and uses for all project financing and to provide a line-item development budget and/or an operating pro forma. CTED will look for opportunities to leverage other non-federal funds, if available, and to use other federal subsidies identified for development and on-going operations, if appropriate. For example, in HOME, other federal subsidies will be used if such subsidies help to maintain affordable housing projects by providing sufficient reserves for both replacement and operating costs.

HOME eligible match sources will be tracked on a project basis and reported annually. Match sources can include state HTF, Energy Matchmakers, Bonneville Power Administration and other utility funds, and some other private and public funds that meet HOME match requirements and when targeted to HOME-eligible activities.

Matching requirements for ESGP will be met by funds identified by local jurisdictions that are committed to housing and services for the homeless. No match is required for HOPWA.

While the CDBG Program has no match requirements, leveraging is strongly encouraged through the rating and selection process. Funds leveraged by the CDBG Program will be tracked on a project basis and reported in the Consolidated Annual Performance Evaluation Report to HUD.

### GEOGRAPHIC DISTRIBUTION

The major geographic distinction that affects the allocation of funds is between the state's major urban centers, most of which are also participating jurisdictions for HOME funding and formula jurisdictions for ESGP funding, and the smaller cities and rural areas of Washington. The urban centers, especially the Seattle-Tacoma metropolitan area, have a number of strong, experienced, non-profit housing developers and advocates. These cities have been able to raise local funding for housing and to develop innovative projects and programs.

In smaller cities and rural areas, excellent work has also been done especially with the help of technical expertise provided by CTED. The WSHFC policies encouraging the use of single-family mortgage revenue bond programs and tax credits in rural areas have



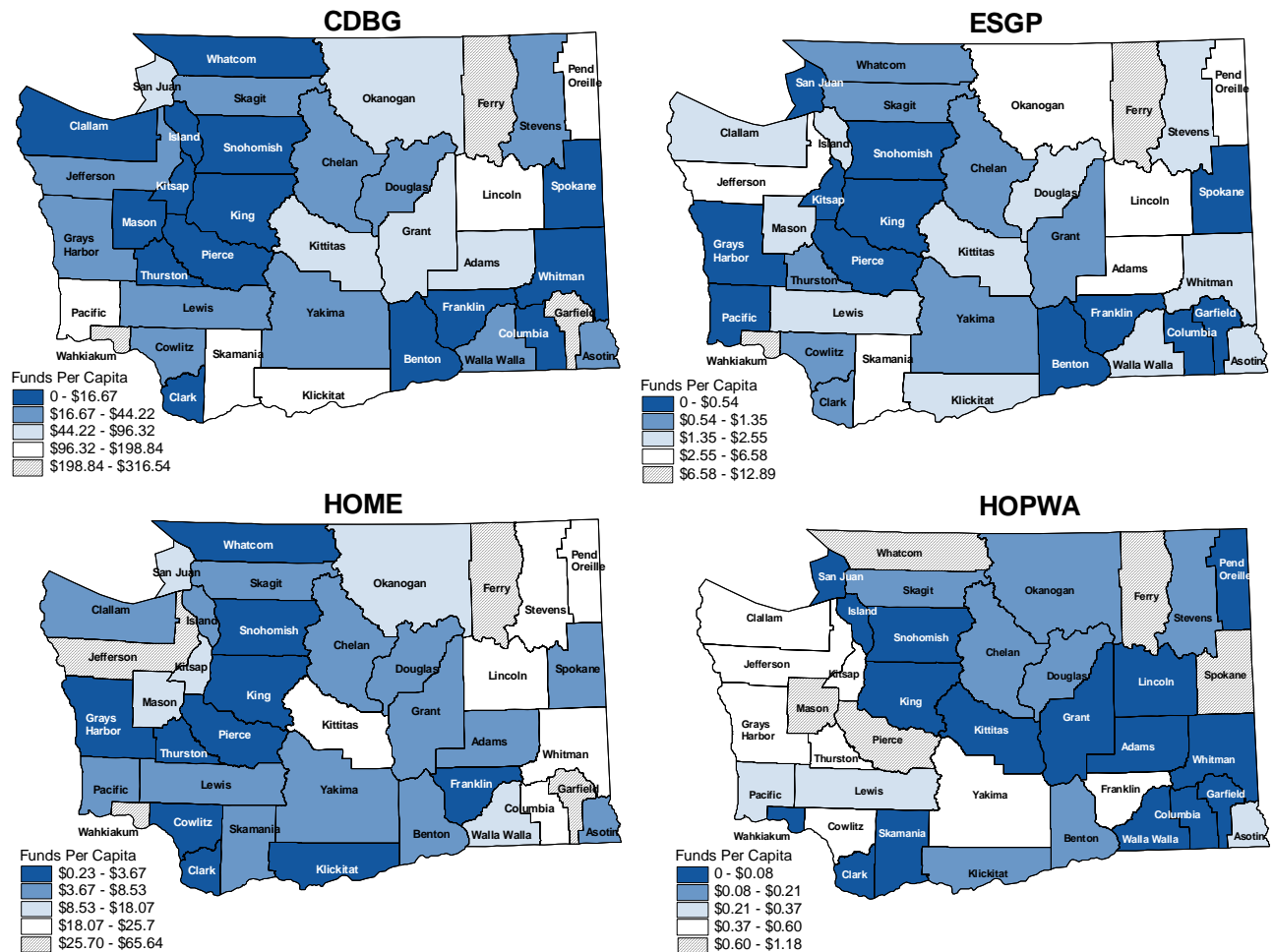
also provided increased capacity in small cities and non-metropolitan counties. However, capacity building remains a major need in these areas. Local coalitions and non-profits need assistance in all stages of housing development; that is, getting organized, assessing needs and market, raising operating funds, putting together project financing, managing construction, and managing completed projects. State funding has been available for capacity building, but only in very limited amounts.

Funding for housing development in small cities and rural areas will be made available by:

- Targeting 30 percent (30%) of the funds in the state's Housing Trust Fund to rural areas.
- Prioritizing the allocation of HOME funds to those areas of the state that do not receive other allocations of HOME funds.
- Continuing to use state CDBG programs to support housing planning and development in non-entitlement jurisdictions.
- Continuing to distribute ESGP in areas that are not directly allocated ESG funds by HUD.
- Using 100 percent (100%) of HOPWA formula allocation funds in jurisdictions that are not part of major metropolitan areas currently receiving HOPWA allocations directly from HUD.
- Distributing funds from the state's Emergency Shelter Assistance Program (ESAP) and THOR by formula allocation to all 39 counties.
- Allocating formula funds for federally funded weatherization services to 26 agencies serving all counties.

Aside from these funding targets, CTED does not set aside funds for particular regions at this time. CTED's experience has been that open funding programs or programs using competitive funding criteria serve the state best by allowing each area to organize and develop those projects that meet local needs. As a result of this policy, the CDBG Program has successfully provided funds in traditional low-income areas of the state such as the Yakima Valley, as well as resource dependent areas such as Grays Harbor, Pacific, and Okanogan Counties.

**Map I-2: Geographic Distribution of HUD Funds Received by CTED by Program Per Capita 2002-2004**



## Map Notes:

### CDBG

State CDBG eligible or *non-entitlement* cities and towns are those with less than 50,000 populations or counties with less than 200,000 populations provided the cities, towns, and counties do not participate as members of HUD Urban County Consortiums. The *entitlement* jurisdictions receive CDBG funds directly from HUD. This map does not show the amount of CDBG funds received by the entitlement cities or counties, but only shows the geographic distribution of state CDBG funds.

### **ESG**

Counties showing lesser amounts per capita may be counties that receive their funding directly from HUD or small counties that have a lesser need for ESG funding or have declined to apply for ESG funding, such as Pacific County. The counties receiving their funding directly from HUD are King and Pierce.

### **HOPWA**

Counties showing lesser amounts per capita may be counties that receive their funding directly from HUD or small counties that have not expressed a need for HOPWA funding. The counties receiving their funding directly from HUD are King, Island, Clark and Snohomish. Skamania County is served by Portland EMSA.

### **HOME**

Counties showing lesser amounts per capita may be counties that receive their funding directly from HUD. Tenant Based Rental Assistance and Housing Repair and Rehabilitation funds are targeted to households in areas of the state not served by local HOME participating jurisdictions. The development program for rental housing awards funds statewide.

### GENERAL GUIDELINES

#### Reallocated Funds

Reallocated funds are those that HUD has recaptured from a grantee and reallocated to the state. Reallocated funds received by the state with the annual grant will be made available to eligible jurisdictions in 2006, in accordance with the method of distribution described in this Action Plan.

#### Recaptured Funds

Recaptured funds are those which are de-obligated by the state from local service providers and redistributed to ensure the maximum and best use of resources. It is CTED's policy to recapture (de-obligate) unspent grant dollars when it is clear that the recapture will not prevent a grantee from completing approved activities. Resources that are not used within established timeframes may be recaptured.

#### Program Income

Program income is any income generated from the use of CTED allocated funds, such as, proceeds from disposition of property, loan repayments with interest, and proceeds from sale of loans. All program income accrued while a contract is still open and active must be used prior to drawing additional program funds from the state. Program income from active contracts must be accounted for on each reimbursement request. Income earned by the grantee as a result of project activities after project completion and after administrative closeout, retains its federal identity and must be reported to CTED annually if it exceeds \$25,000 in any calendar year.

### SUMMARY OF CHANGES

#### Four Proposed Changes To The Home Investment Partnership (HOME) Program:

- The HOME Rental Housing Preservation and Development (RHRP) funds are renamed as General Purpose (GP) funds. HOME GP funds will continue to be targeted to rental housing projects, with a focus on permanent, transitional and supportive housing projects serving people who are homeless or who have special needs and whose incomes are at or below 30% AMI.
- HOME GP funds will be awarded separately from the award of funds from the Housing Trust Fund (HTF). HOME GP funds were previously awarded in conjunction with the HTF application process. This approach resulted in uncertainty for

applicants about the funding source of CTED awards and the process created some administrative challenges for CTED.

- The allocation of ADDI funds will change. Fifty percent (50%) of FFY 2006 ADDI funds will be awarded to the Washington State Housing Finance Commission (WSHFC) for use in their Homeownership program at the beginning of the year. The remaining 50 percent (50%) of ADDI funds will be available for award during the Housing Trust Fund (HTF) application process. Any ADDI funds not used during the Spring 2005 HTF application Round may be awarded to the WSHFC, based upon criteria such as demand and performance after June 30, 2006.
- Additional HOME Program funds may be used to match ADDI awards. Generally, awards of ADDI funds during the HTF application process will be matched dollar for dollar by HOME funds. Additional HOME funds, not to exceed HOME subsidy limits, may be awarded on a case by case basis to encourage targeting to extremely low-income, special needs households.

### **Anticipated Decrease in CDBG Funding from HUD**

The state CDBG Program expects its 2006 award from HUD to be decreased by approximately 10 percent (10%) from its 2005 award. This projection is based on recent congressional budget figures. In addition, as noted (\*) below, the CDBG Program used much of its contingency funds to lessen the impact of reductions in 2005. To accommodate this anticipated decrease, the CDBG program intends to reduce the total amounts allocated to the CDBG funding programs, further described in the CDBG Program Action Plan and as summarized below:

WA State CDBG Program	2005 Allocations	2006 Proposed
Community Investment Fund	\$5,178,030	\$3,700,000
General Purpose	7,500,000	7,000,000
Housing Enhancement	1,000,000	800,000
Housing Rehabilitation	1,500,000	1,100,000
Imminent Threat	300,000	166,000
Planning-Only Grant	600,000	500,000
Public Service	1,766,000	1,766,000
<b>TOTAL</b>	<b>\$17,844,030*</b>	<b>\$15,032,000</b>

### **Local Prioritization Process for CDBG Community Investment Fund**

The CDBG Community Investment Fund previously used the Washington Community Economic Revitalization Team's (WACERT) prioritization process to document local priority projects for funding. In 2005, CTED stopped maintaining this listing of local priorities, although most counties still continue a

local prioritization process. The CDBG Program still intends to use the local processes to establish which projects are eligible for a Community Investment Fund grant while it assesses the effectiveness of this approach.

### **PERFORMANCE MEASURES**

CTED collects data and assesses its performance in meeting the goals and objectives in the administration and distribution of its funds allocated by HUD. CTED will measure its performance with the use of the 2006 funds from HUD based on both existing and proposed measurements. To be measured is how these funds contribute to the accomplishment of both the following CTED Key Goals, as identified in its 2005 Strategic Plan, and HUD's Statutory Program Goals:

#### **CTED Key Goals**

1. Grow a diversified and sustainable economy.
2. Advance the health, safety and social well-being of families and communities.
3. Protect and enhance Washington's cultural and natural heritage.
4. Be a results-oriented, world-class agency whose leadership and vision are valued by its customers.

#### **HUD Statutory Program Goals**

CTED's goals are consistent with and support the HUD goals identified in Title 1 of the Housing and Community Development Act of 1974 (as amended):

1. Decent housing
2. A suitable living environment
3. Expanded economic opportunity

#### **Development of Performance Measures**

The council of State Community Development Agencies (COSCDA) of which CTED is a member, is spearheading an effort with several other national organizations of local and state grantees to refine a "Performance Outcome Measurement system" framework. The effort, which is in response to HUD's CPF Notice 03-09, is expected to lead to a comprehensive approach to the measurement of outcomes for HUD's four major community development formula grant programs: Community Development Block Grants, HOME Investment Partnerships Program, Emergency Shelter Grants, and Housing opportunities for Persons with AIDS. Once complete, the system will include objectives, outcomes and indicators for each type of activity undertaken with funds made available from these programs. This initiative is scheduled to be finalized in late 2005, with full implementation for 2007. CTED

plans to integrate its state-specific performance measures with this national system once it is finalized.

A parallel state performance measurement system is also being developed for implementation in 2006 through the state Government Management, Accountability and Performance (GMAP) initiative. CTED intends that the new performance measures and new system of collecting and evaluating performance data will ultimately cover all state and federally funded housing and community development programs administered by CTED. However, the new system will likely be implemented in incremental stages since we have several existing databases and reporting practices that will need to be examined and modified, as necessary. CTED will ensure that a workable transition plan will be part of the overall effort.

CTED will specifically report on its performance with the use of the 2006 funds from HUD in its 2006 Consolidated Annual Performance Evaluation Report (CAPER), which is scheduled to be made available to the public and submitted to HUD in March 2007.

### **Distribution of Funds to Address Priorities and Objectives**

Developing priority areas at the state level presents a challenge because specific needs and market conditions vary from city to city and within the state's 39 counties. The data presented in the Consolidated Plan provide evidence of how the state is geographically and economically diverse. CTED has not identified any low priority activities, since this removes the flexibility at the state level to respond to the particular housing and market needs of local communities.

In the development of the 2005-2009 Consolidated Plan, there was general community support for retaining this flexibility. While priority should be directed to areas of greatest need, the state was encouraged to also have a balanced approach to addressing the continuum of housing and community development needs. The state's programs are in a unique position of having to address a much more widely divergent set of housing needs across the 39 counties in our state. A "one size fits all" priority would restrict the state's ability to support activities that may have a big impact in rural communities or communities with unique needs.

[From 2004 Action Plan] The highest housing priority will be dedicated to very low-income renter and homeowner households (those households earning 50 percent [50%] of median income or less) and paying more than 30 percent [30%] of their incomes for housing costs, as well as those people who are homeless.

According to HUD requirements in Title 1 of the Housing and Community Development Act of 1974, as Amended, Section 106(d)(2), the state CDBG Program is to fund only local governments that demonstrate the local prioritization and need for the proposed project. Following this federal intent of the state CDBG Program to address priorities established by the local governments, the CDBG Program ensures funding is targeted to areas of greatest need through the CDBG Program's program priorities and rating criteria described in its Action Plan. »